

CHAPTER TWENTY-TWO

THE STRATEGIC MARKETING PROCESS



AFTER READING THIS CHAPTER YOU SHOULD BE ABLE TO:

- **Explain how marketing managers allocate their limited resources, both in theory and in practice.**
- **Describe three marketing planning frameworks: Porter's generic strategies, profit enhancement options, and market-product synergies.**
- **Describe what makes an effective marketing plan and some problems that often exist with them.**

(continued)

AFTER READING THIS CHAPTER YOU SHOULD BE ABLE TO:

- **Describe the alternatives for organizing a marketing department and the role of a product manager.**
- **Schedule a series of tasks to meet a deadline using a Gantt chart.**
- **Understand how sales and profitability analyses and marketing audits are used to evaluate and control marketing programs.**

The Difficult Job of the Marketing Manager for Cereals

Some aspects of this manager's difficult job are:

- 1. Only one out of five new brands are successful.**
- 2. A new product launch typically cost up to \$40 million.**
- 3. Busy Canadians are substituting bagels, muffins, and Pop Tarts for cereal, causing sales of cold cereals to fall, so your new cereal must steal sales from existing brands.**
- 4. Smaller competitors are entering the cold cereal market introducing less costly bagged versions of the well-known national brands.**

Strategic Marketing's Goal

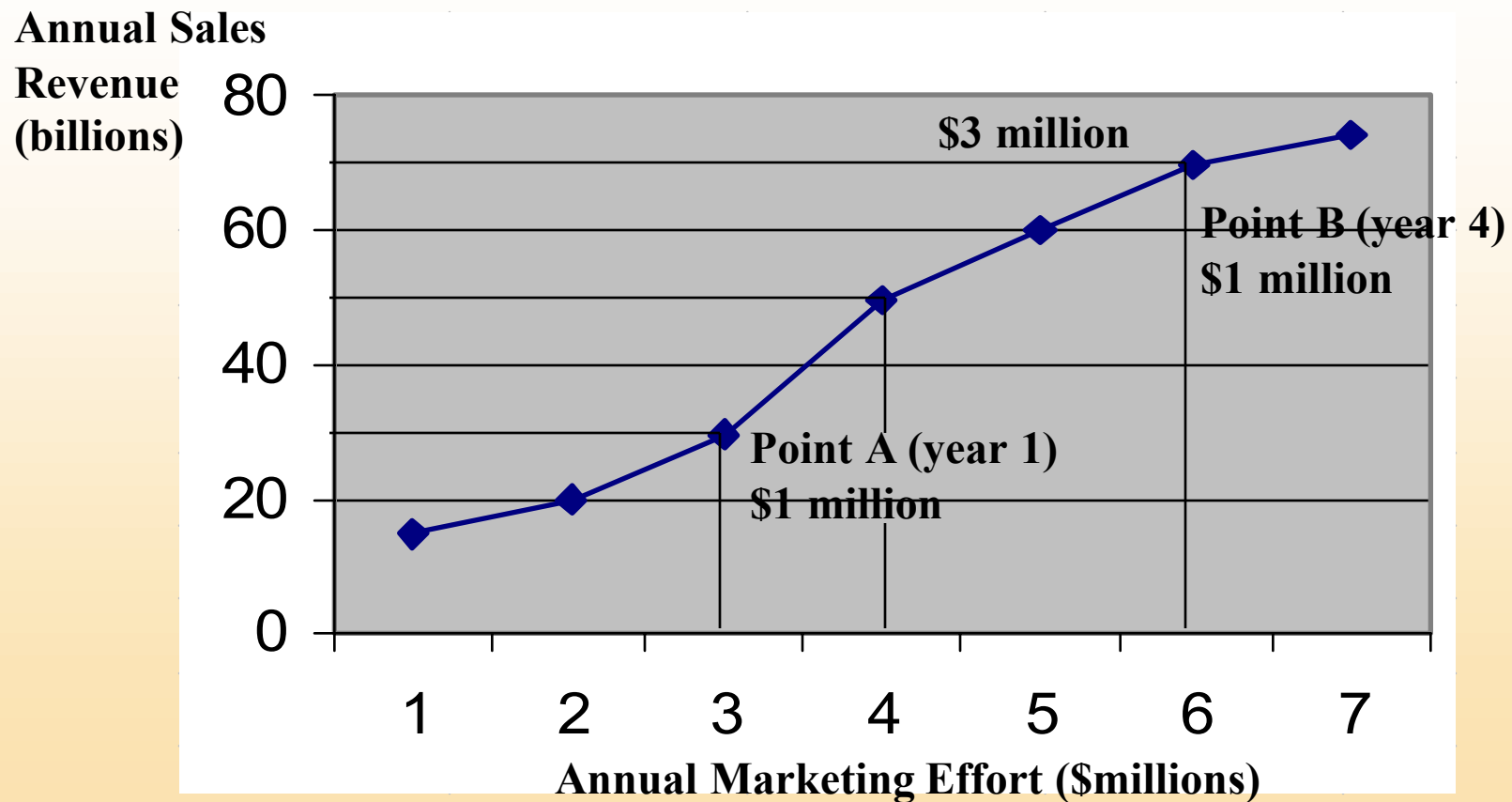
Effective Resource Allocation



The Sales Response Function

**A sales response function relates
the expense of market effort
to the marketing results
obtained.**

PP22-1 Sales Response Function Showing the Situation for Two Different Years

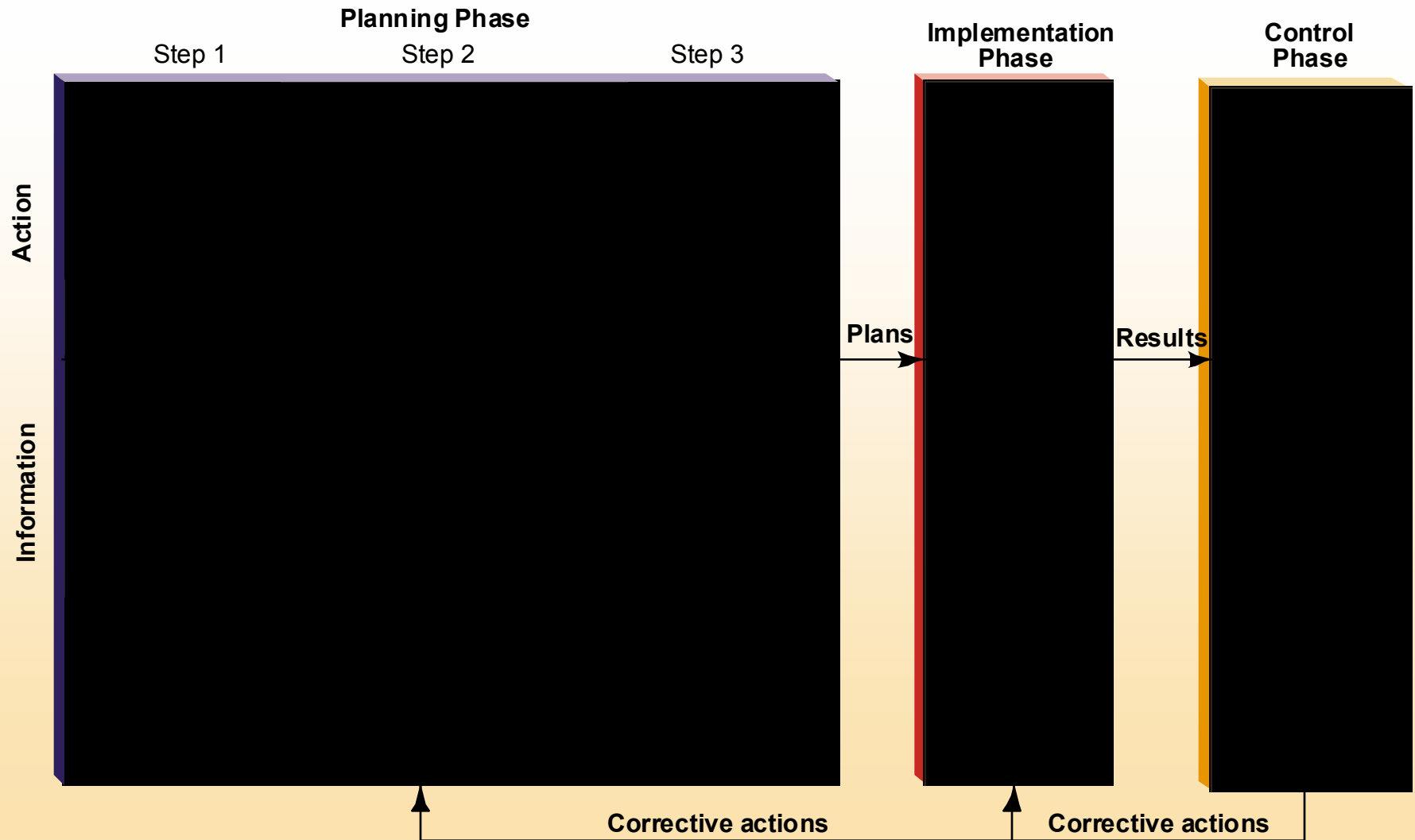


Allocating Resource via Share Points

Many firms do extensive analysis using **share points, or percentage points of market share, as the common basis of comparison to allocate marketing resources effectively.**

The question is “How much is it worth to us to try to increase our market share by 1%, 5%, etc.

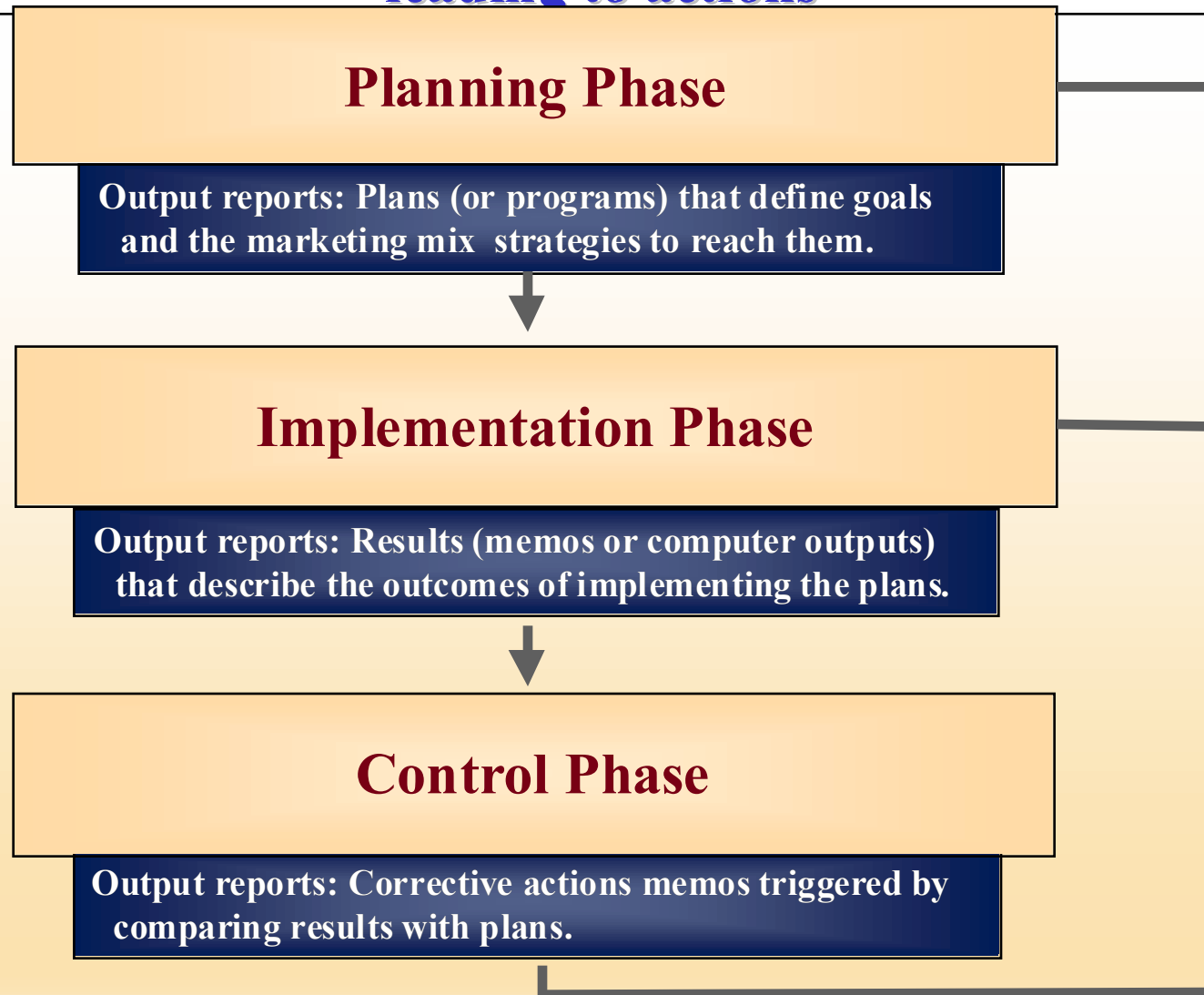
PP22-2 The Strategic Marketing Process; Actions and Information



The Strategic Marketing Process: Phases & Outputs

Phase	Output Report
Planning	Marketing plans (or programs) that define goals and the marketing mix strategies to achieve them.
Implementation	Results (memos or computer outputs) that describe the outcomes of implementing the plans.
Control	Corrective action memos, triggered by comparing results with plans, that 1) suggest solutions to problems and 2) take advantage of opportunities.

The strategic marketing process and key output reports leading to actions



Varieties of Marketing Plans

- 1. Long-Range Marketing Plans**
- 2. Annual Marketing Plans**
- 3. Marketing Plans for New
Product Launches**

PP22-3a Steps a large consumer package goods firm takes in developing its annual marketing plan

Steps in annual Marketing Planning Process	<u>Weeks before approval of Plan</u>					
	50	40	30	20	10	0
1. Obtain up-to-date marketing information from marketing research study of product users.	→					
2. Brainstorm alternatives to consider in next year's plan with own marketing research and outside advertising agency personnel.	→					
3. Meet with internal media specialists to set long-run guidelines in purchase of media.		→				
4. Obtain sales and profit results from last fiscal year, which ended 16 weeks earlier.			→			
5. Identify key issues (problems and opportunities) to address in next year's plan by talks with marketing researchers, advertising agency, and other personnel.				→		

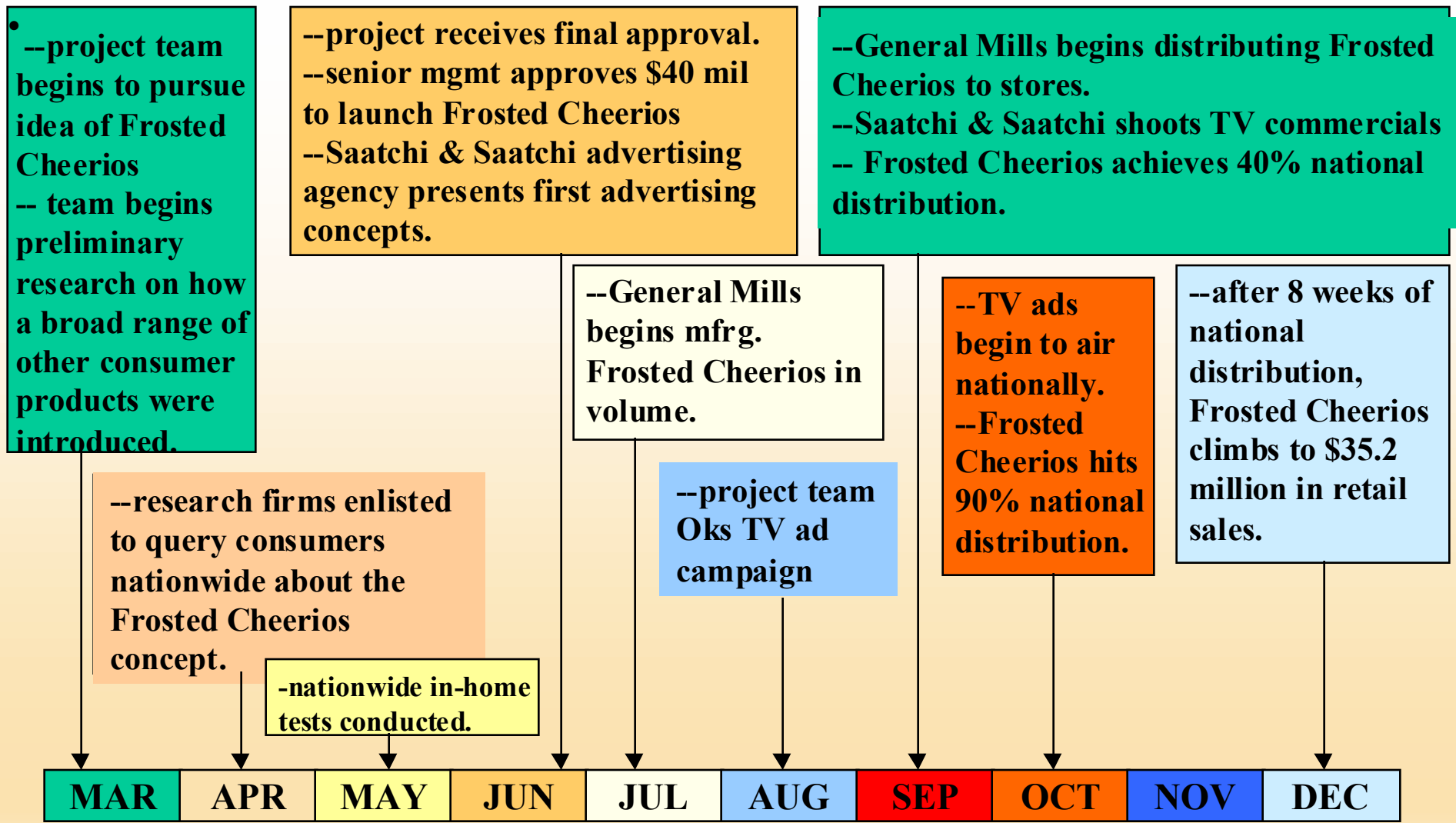
Planned Period of work —————→ Planned Completion Date (continued)

PP22-3b Steps a large consumer package goods firm takes in developing its annual marketing plan

Steps in annual Marketing Planning Process	<u>Weeks before approval of Plan</u>					
	50	40	30	20	10	0
6. Hold key issues meeting with marketing director; form task force of line managers if significant product, package, or size change is considered.				→		
7. Write and circulate key issues memo; initiate necessary marketing research to reduce uncertainty.				→		
8. Review marketing mix elements and competitors' behaviour with key managers, keeping marketing director informed.				→		
9. Draft marketing plan, review with marketing director, and revise as necessary.					→	
10. Present plan to marketing director, advertising agency, division controller, and heads of responsible line departments (product, packaging, sales, etc.) and make necessary changes.					→	
11. Present marketing plan to division general manager for approval, 10 weeks before start of fiscal year.						→

Planned Period of work —————→ Planned Completion Date

PP22-4 Frosted Cheerios: From Idea to Grocery Shelf in Six Months



PP22-5 The Cross-Functional Team's Thinking Behind the Frosted Cheerios New Package



Concept Check



- 1. What is the significance of the S-shape of the sales response function in Figure 22-1?**
- 2. What are the main output reports from each phase of the strategic marketing process?**
- 3. What are the three kinds of marketing plans?**

Definition of a Generic Business Strategy

A generic business strategy is . . .

**one that can be adopted by any firm,
regardless of the product or industry
involved, to achieve a competitive
advantage.**

PP22-6 Porter's Four Generic Business Strategies

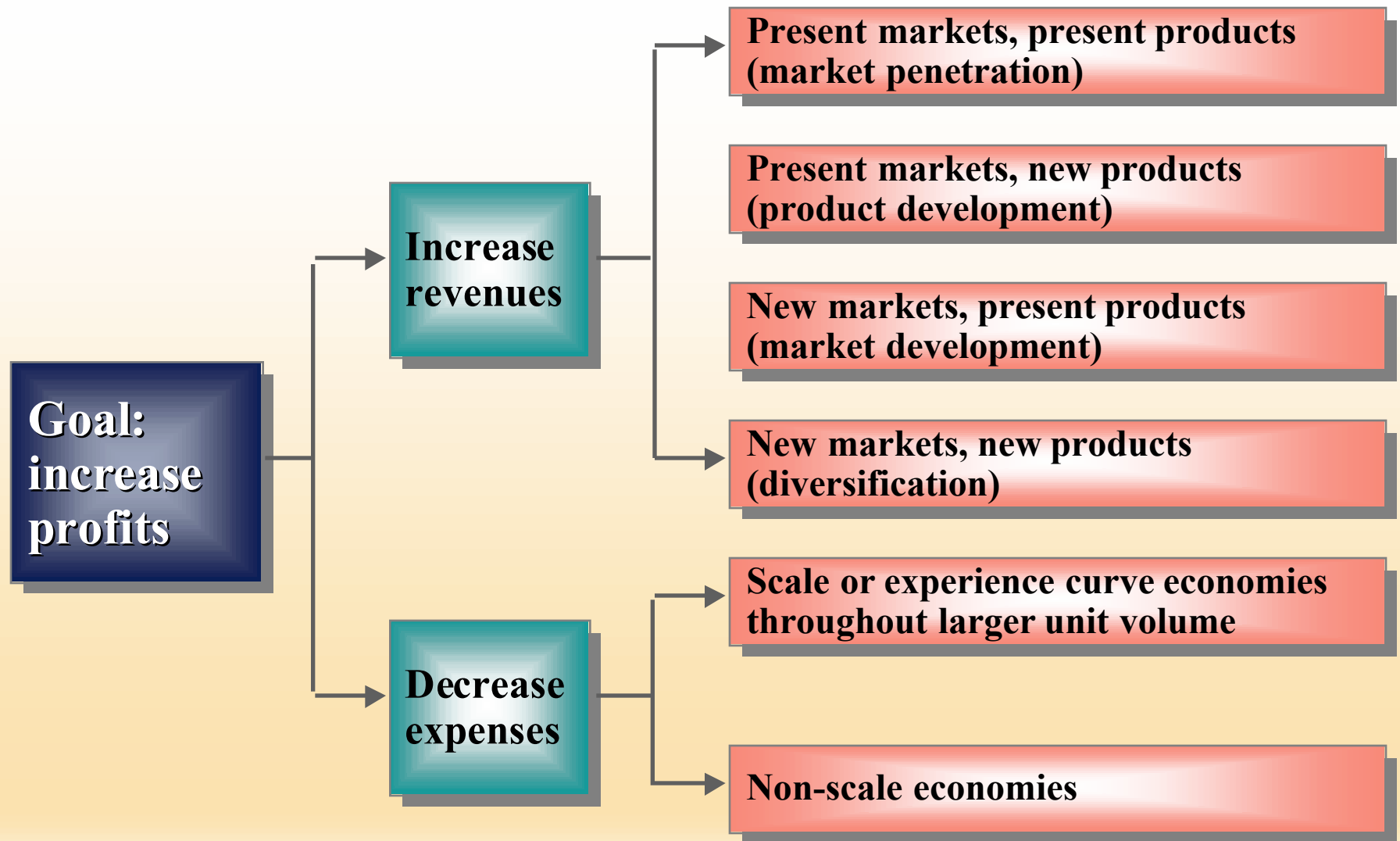
Source of Competition Advantage		
Competitive Scope	Lower Cost	Differentiation
Broad Target	1. Cost leadership	2. differentiation
Narrow Target	3. Cost focus	4. Differentiation

Profit Enhancement Options

If a business wants to increase, or enhance its profits, it can:

- 1. increase revenues**
- 2. decrease expenses**
- 3. do both**

PP22-7 Profit Enhancement Options for Increasing a Firm's Profits



Definition of Synergy

Synergy is

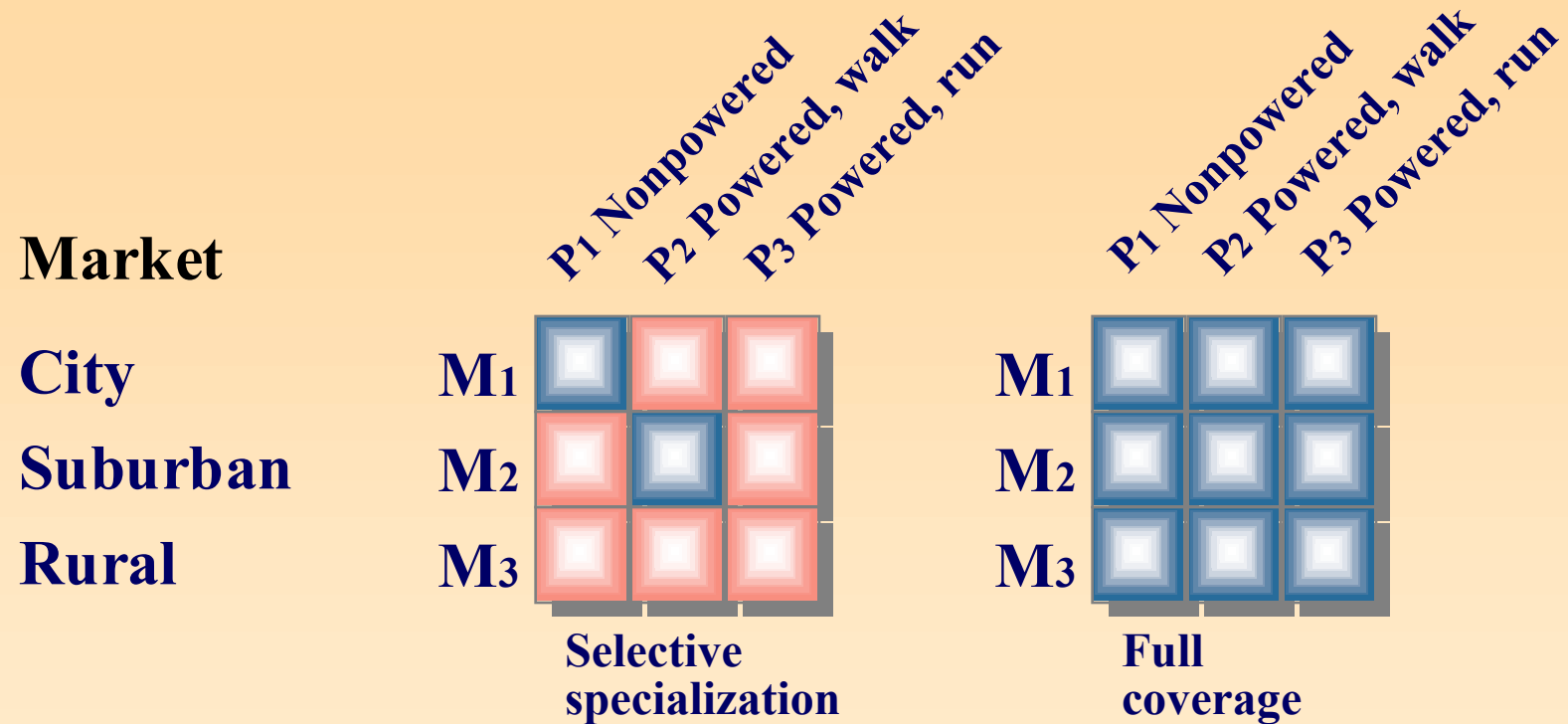
**the increased customer value
achieved through performing
organizational functions more
efficiently.**

PP22-8a Market-Product Grid of Alternative Strategies for a Lawnmower Manufacturer (first part)

Market		P1 Nonpowered P2 Powered, walk P3 Powered, run			P1 Nonpowered P2 Powered, walk P3 Powered, run			P1 Nonpowered P2 Powered, walk P3 Powered, run		
City	M ₁									
Suburban	M ₂									
Rural	M ₃									
		Market-product concentration			Market specialization			Product specialization		

(continued)

PP22-8b Market-Product Grid of Alternative Strategies for a Lawnmower Manufacturer (final part)



PP22-9 An Ideal Merger for Great Lawns to Obtain Full Market-Product Coverage

	P1	P2	P3
M1	Blue	Green	Green
M2	Blue	Blue	Green
M3	Blue	Green	Green

Great Lawns' market-product offerings before the merger

	P1	P2	P3
M1	Green	Blue	Blue
+ M2	Green	Green	Blue
M3	Green	Blue	Blue

The market-product offerings of an *ideal* partner before the merger

	P1	P2	P3
M1	Green	Green	Green
= M2	Green	Green	Green
M3	Green	Green	Green

Market-product offerings of the resulting merged firm after the merger.

Concept Check



- 1. Describe Porter's four generic business strategies.**
- 2. What are four alternative ways to increase a firm's profits when considering profit enhancement strategies?**
- 3. Where do (a) marketing synergies and (b) R&D-manufacturing synergies appear in a market-product grid framework?**

Guidelines for an Effective Marketing Plan

- Set measurable, achievable goals.**
- Use a base of facts and valid assumptions.**
- Utilize simple, but clear specific plans.**
- Have complete and feasible plans.**
- Make plans controllable and flexible.**

Examples of Problems in Marketing Planning

Problem	Example
Plan based on poor assumptions	Scope ran an ad campaign to convince Canadians that mouthwash didn't have to taste bad - result, knocked Listerine out of #1
Planners lost sight of customer's needs	Papa John's International pizza chain is obsessed with its attention to detail. They are stealing market share from Pizza Hut
Too much time and effort spend on collection and analysis of data rather than implementation	Westinghouse has cut its planning instructions for operating units "that looked like an auto repair manual" to five or six pages.
Line operating managers feel no ownership in implementing plans	Andy Grove, CEO of Intel observed "the strategies these [planners] prepared had no bearing on anything we actually did" Solution - assign more planning to line managers.

PP22-10 Results of good and bad marketing planning and implementation

Marketing Implementation	Marketing planning and strategy	
	Good (appropriate)	Bad (inappropriate)
Good (effective)	1 Success: Marketing program achieves its objectives.	2 Trouble: Solution lies in recognizing that only the strategy is at fault and correcting it.
Bad (ineffective)	3 Trouble: Solution lies in recognizing that only implementation is at fault and correcting it.	4 Failure: Marketing program flounders and fails to achieve its objectives.

Product or Program Champion

- Successful programs almost always have a **product or program champion** who is able and willing to cut red tape and move the program forward.
- **Such people often have the uncanny ability to** move back and forth between big-picture questions and specific details when the situation calls for it. Program champions are notoriously brash in overcoming organizational hurdles.

PP22-11a Kelly Johnson's rules for managing projects at Lockheed's Skunk Works, adapted for managing marketing programs effectively

- 1. Delegate the marketing program manager practically complete control of the program--the authority for quick decisions on technical, financial, or operational matters.**
- 2. Provide strong--but small--project offices on both the customer and supplier sides.**
- 3. Restrict project personnel viciously to use a small number of good people.**
- 4. Utilize a very simple planning and reporting system with the flexibility to make schedule recovery in the face of failures.**
- 5. Minimize the number of required reports--but record important work meticulously.**

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PP22-11b Kelly Johnson's rules for managing projects at Lockheed's Skunk Works, adapted for managing marketing programs effectively

- 6. Schedule monthly cost reviews covering both a) actual expenditures and commitments and b) projected costs to program conclusions--avoiding cost overrun surprises.**
- 7. Agree on performance specifications in advance of contracting.**
- 8. Achieve absolute trust through day-to-day communication and cooperation--thereby minimizing misunderstanding and correspondence.**
- 9. Control access of outsiders to the project and its personnel.**
- 10. Reward good performance by pay--not by number of people supervised--thereby keeping the number of project personnel to a minimum.**

PP22-12a Tasks in Completing a Term Project

Shown below are the tasks you might face as a member of a student team to complete a marketing research study using a mail questionnaire. Elapsed time to complete all the tasks is 15 weeks. How do you finish the project in an 11-week quarter? For an answer, see the text.

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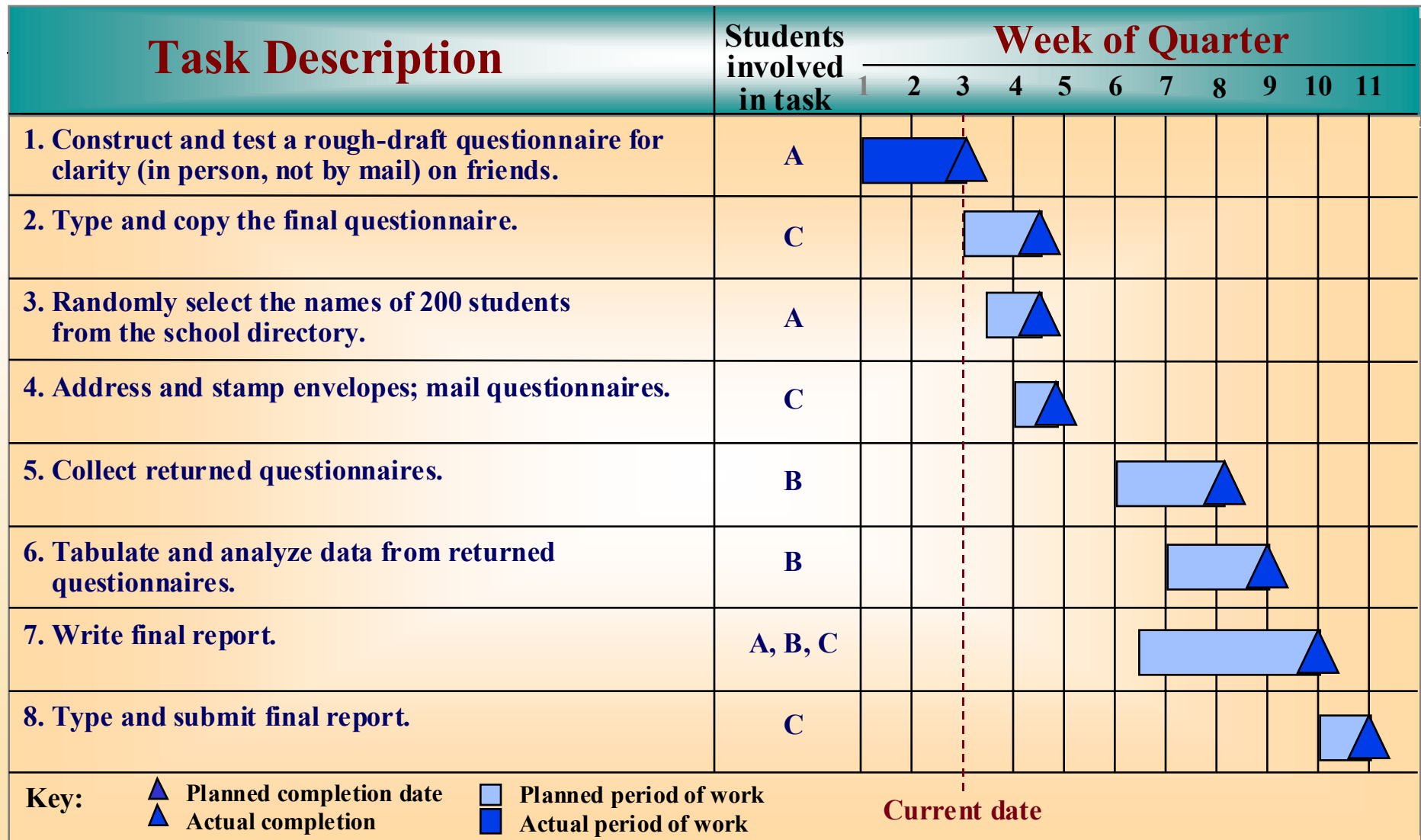
PP22-12b Tasks in Completing a Term Project

TASK

TIME(WEEKS)

- | | |
|--|-----------|
| 1. Construct and test a rough-draft questionnaire for clarity (in person, not by mail) on friends. | 2 |
| 2. Type and copy a final questionnaire. | 2 |
| 3. Randomly select the names of 200 students from the school directory. | 1 |
| 4. Address and stamp envelopes; mail questionnaires. | 2 |
| 5. Collect returned questionnaires. | 3 |
| 6. Tabulate and analyze data from returned questionnaires | 2 |
| 7. Write final report. | 3 |
| 8. Type and submit final report. | <u>1</u> |
| Total time necessary to complete all activities. | 15 |

PP22-13 Gantt Chart for Scheduling a Term Project



Source: Adapted from William Rudelius and W. Bruce Erickson, *An Introduction to Contemporary Business*, 4th ed. (New York: Harcourt Brace Jovanovich, 1985), p.95.
 22-35

Concept Check



- 1. Why is it important to include operating line managers in the planning process?**
- 2. What is the meaning and importance of a program champion?**
- 3. Explain the difference between sequential and concurrent tasks in a Gantt chart.**

Strategic Groupings with Organizations

Line versus Staff Groupings

Divisional Groupings

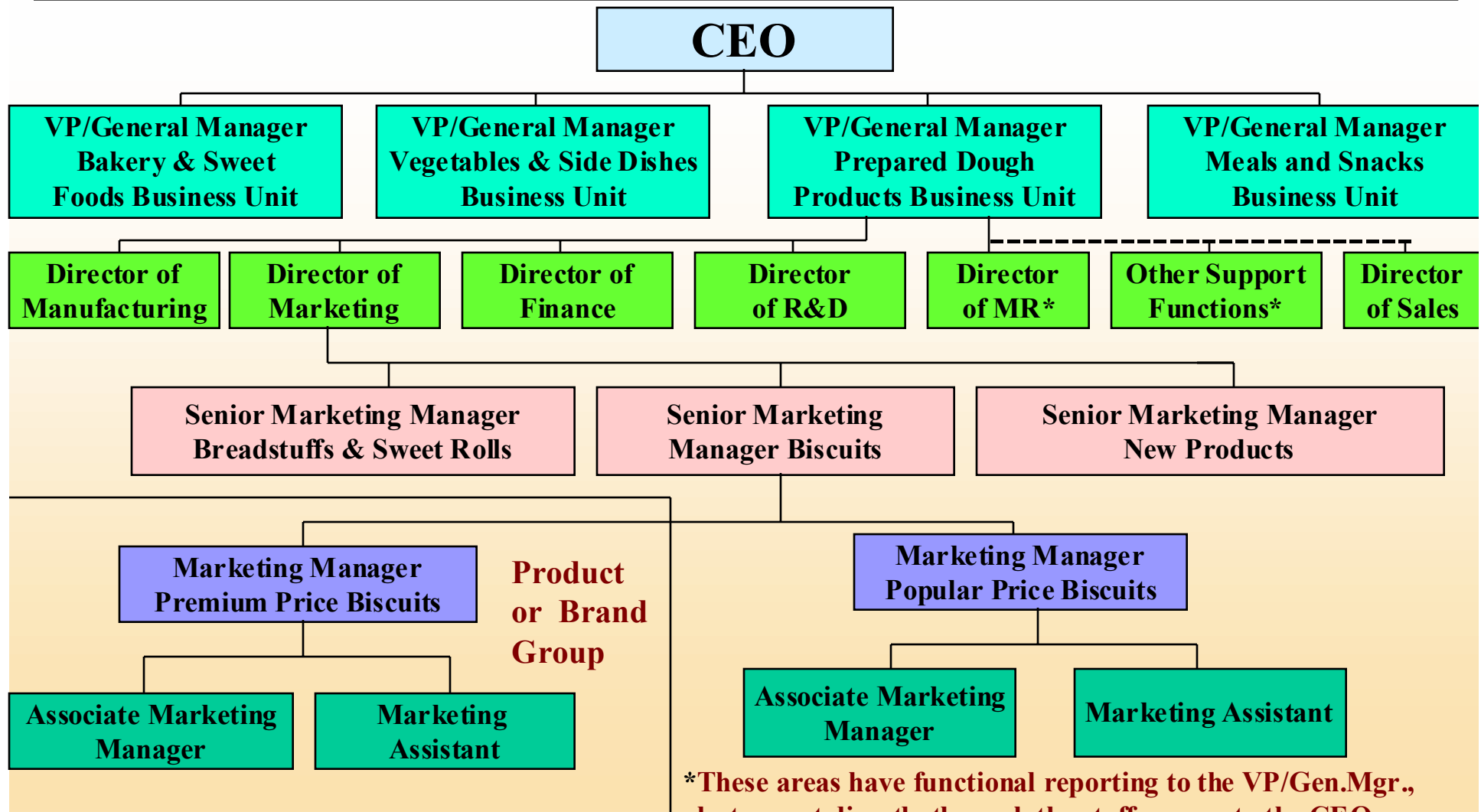
Product Line Groupings

Functional Groupings

Geographic Groupings

Market-Based Groupings

PP22-14 Organization of the Pillsbury Company



**These areas have functional reporting to the VP/Gen.Mgr., but report directly through the staff groups to the CEO.*

Role of the Product Manager

- The product manager (also called brand manager or even marketing manager) with his/her assistants are the **basic building blocks in the marketing departments** of most consumer and industrial product firms.
- **Their function is** to plan, implement, and control the annual and long range plans for the products they are responsible for.

The Advantages and Disadvantages of the Product Manager System

ADVANTAGES:

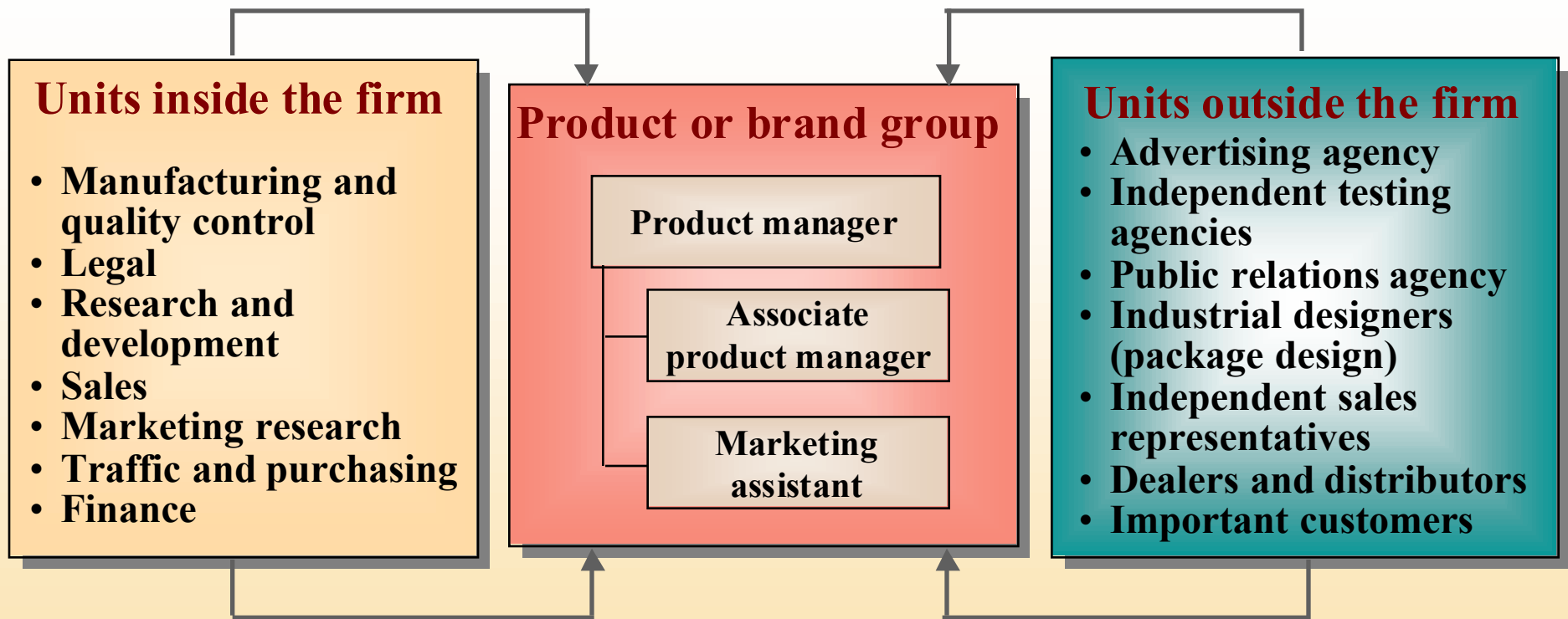
The benefits of a product manager system are:

- 1. that these managers become strong advocates for their assigned products;**
- 2. Cut red tape to work with people both inside and outside the organization;**
- 3. They assume profit-loss responsibility for their products.**

DISADVANTAGES:

One the negative side, product managers have relatively little direct authority. To coordinate the many units, product managers must use persuasion rather than orders.

PP22–15 Units with which the Product Manager and Product Group Work

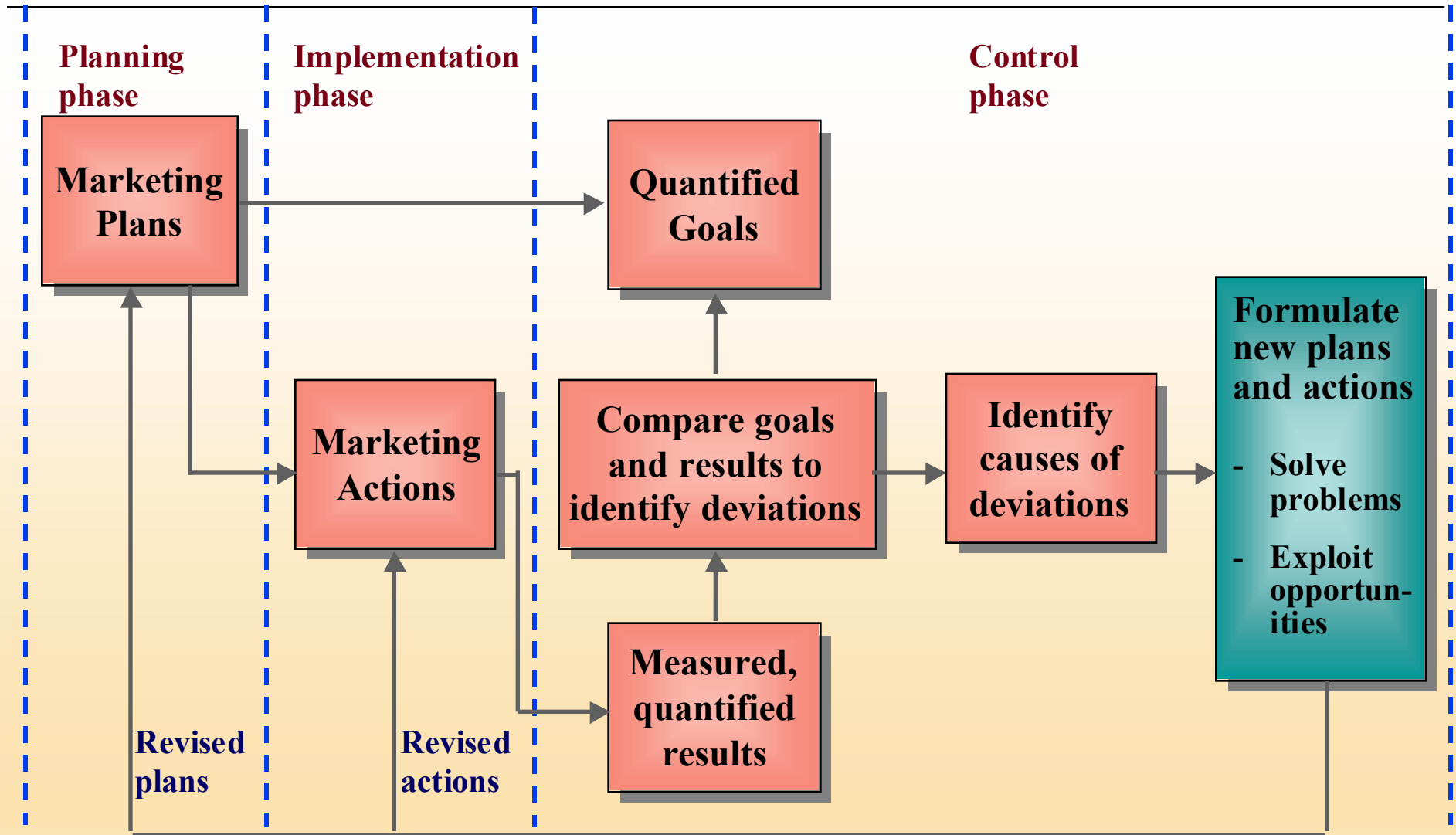


The Control Phase of the Strategic Marketing Process

The **essence of control**, the final phase of the strategic marketing process, is comparing results with planned goals for the marketing program and taking necessary corrective action.



PP22–16 The Control Phase of the Strategic Marketing Process



PP22-17a Marketing Audit Questions

Products/Services: The Reasons for Existence

- 1. Is the product/service free from deadwood?**
- 2. What is the life cycle stage?**
- 3. How will user demands or trends affect you?**
- 4. Are you a leader in new product innovation?**
- 5. Are inexpensive methods used to estimate new product potentials before consideration amounts are spend on R&D and market introduction?**
- 6. Do you have different quality levels for different markets?**
- 7. Are packages/brochures effective promotion for the products/services they represent?**

(continued)

PP22-17b Marketing Audit Questions

- 8. Do you present products/services in the most appealing colours (formats) for markets being served?**
- 9. Are there features or benefits to exploit?**
- 10. Is the level of customer service adequate?**
- 11. How are quality and reliability viewed by customers?**

(continued)

PP22-17c Marketing Audit Questions

Customer: User Profiles

- 1. Who are the current and potential customers?**
- 2. Are there geographic aspects of use: regional, rural, urban?**
- 3. Why do people buy the product/service; what motivates their preferences?**
- 4. Who makes buying decisions; when; where?**
- 5. What is the frequency and quantity of use?**

(continued)

PP22-17d Marketing Audit Questions

Markets: Where Products/Services are Sold

- 1. Have you identified and measured major segments?**
- 2. Are small potential market segments overlooked in trying to satisfy the majority?**
- 3. Are the markets for the products/services expanding or declining?**
- 4. Should different segments be developed; are there gaps in penetration?**

(continued)

PP22-17e Marketing Audit Questions

Competitors: Their Influence

- 1. Who are the principal competitors; how are they positioned;
and where are they headed?**
- 2. What are their market shares?**
- 3. What features of competitors' products/services stand out?**
- 4. Is the market easily entered or dominated?**

(continued)

PP22-17f Marketing Audit Questions

Pricing: Profitability Planning

- 1. What are the objectives of current pricing policy; acquiring, defending, or expanding?**
- 2. Are price policies set to produce volume or profit?**
- 3. How does pricing compare with competition in similar levels of quality?**
- 4. Does cost information show the profitability of each item?**
- 5. What is the history of price deals, discounts, and promotions?**

Concept Check



- 1. What is the difference between a line and a staff position in a marketing organization?**
- 2. What are four groupings used within a typical marketing organization?**
- 3. What two components of the strategic marketing process are compared to control a marketing program?**